

EC507 DEVELOPMENT ECONOMICS
ASSIGNMENT #2

Paper: Mankiw et al (1992) "A contribution to the Empirics of Economic Growth"
Quarterly Journal of Economics.

1. Mankiw et al. (MRW from now on) show that the sign of the coefficients on the capital accumulation ratio (s) and on $(n+g+d)$ are those predicted by the Solow model. Which signs are those? Why is it so? Although the signs are right MRW's coefficients are too big. With respect to what?
2. Do you expect human capital to affect income? Why? Do you expect the human capital accumulation ratio (share of savings invested in human capital) to affect the growth rate in the long run within the framework of the Solow model? Why? Why not?
3. How does the exclusion of s_h affect the coefficient on s_k ? How does your answer depend on the sign of the correlation between s_h and s_k ?
4. Do MRW find evidence in favour of absolute convergence? Do they find evidence in favour of conditional convergence? what's the difference?
5. "Since the rate of physical and human capital accumulation (s_h and s_k) have no effect on long run growth, government policies that promote accumulation are irrelevant for a country's standard of living". Do you agree with this statement? Why? Why not?

EC307 DEVELOPMENT ECONOMICS

ASSIGNMENT #2

DUE ON Tuesday, Oct 19.

Paper: Mankiw et al (1992) "A contribution to the Empirics of Economic Growth"
Quarterly Journal of Economics.

1. Mankiw et al. (MRW from now on) show that the sign of the coefficients on the capital accumulation ratio (s) and on $(n+g+d)$ are those predicted by the Solow model. Which signs are those? Why is it so? Although the signs are right MRW's coefficients are too big. With respect to what?
2. Do you expect human capital to affect income? Why? Do you expect the human capital accumulation ratio (share of savings invested in human capital) to affect the growth rate in the long run within the framework of the Solow model? Why? Why not?
3. How does the exclusion of s_h affect the coefficient on s_k ? How does your answer depend on the sign of the correlation between s_h and s_k ?
4. Do MRW find evidence in favour of absolute convergence? Do they find evidence in favour of conditional convergence? what's the difference?
5. "Since the rate of physical and human capital accumulation (s_h and s_k) have no effect on long run growth, government policies that promote accumulation are irrelevant for a country's standard of living". Do you agree with this statement? Why? Why not?